



**COUNTY OF LOS ANGELES
DEPARTMENT OF AUDITOR-CONTROLLER**

KENNETH HAHN HALL OF ADMINISTRATION
500 WEST TEMPLE STREET, ROOM 525
LOS ANGELES, CALIFORNIA 90012-3873
PHONE: (213) 974-8301 FAX: (213) 626-5427

WENDY L. WATANABE
AUDITOR-CONTROLLER

MARIA M. OMS
CHIEF DEPUTY

ASST. AUDITOR-CONTROLLERS

ROBERT A. DAVIS
JOHN NAIMO
JUDI E. THOMAS

August 28, 2009

TO: Supervisor Don Knabe, Chairman
Supervisor Gloria Molina
Supervisor Mark Ridley-Thomas
Supervisor Zev Yaroslavsky
Supervisor Michael D. Antonovich

FROM: Wendy L. Watanabe
Auditor-Controller

SUBJECT: **COMMUNITIES IN SCHOOLS OF SOUTH BAY, INC. CONTRACT
REVIEW – A COMMUNITY AND SENIOR SERVICES WORKFORCE
INVESTMENT ACT PROGRAM PROVIDER – FISCAL YEAR 2008-09**

We completed a program, fiscal and administrative contract compliance review of Communities In Schools of South Bay, Inc. (CIS or Agency), a Community and Senior Services (CSS) Workforce Investment Act (WIA) Program provider.

Background

CSS contracts with CIS, a private non-profit organization, to provide and operate the WIA Youth Program. The WIA Youth Program is a comprehensive training and employment program for in-school and out-of-school youth ages 14-21 years old. CIS's office is located in the Second District.

CIS is compensated on a cost reimbursement basis and has a contract for \$239,000 for Fiscal Year (FY) 2008-09.

Purpose/Methodology

The purpose of our review was to determine whether CIS complied with its contract terms and appropriately accounted for and spent WIA funds in providing the services outlined in their County contract. We interviewed Agency staff and evaluated the adequacy of the Agency's accounting records, internal controls and compliance with federal, State and County guidelines.

Results of Review

Generally, CIS provided the program services to eligible participants. However, CIS billed CSS \$1,008 in unsupported payroll expenditures. In addition, CIS did not always comply with other WIA and County contract requirements. For example:

- CIS did not meet two (50%) of the four FY 2008-09 third quarter planned performance outcomes outlined in the County contract. Similar findings related to CIS not achieving planned outcomes were also noted during the prior year's monitoring review.
- CIS did not update the participant's program activities on the Job Training Automation (JTA) System within 12 days following the reporting period for nine (90%) of the ten participants sampled. A similar finding was also noted during the prior three years' monitoring reviews. Subsequent to our review, CIS updated the JTA system to accurately reflect the nine participants' program activities.
- CIS's Associate Director had access to the Agency's blank checks, signed checks and approved disbursements. A similar finding was also noted during the prior two years' monitoring reviews. CSS's Contracts Compliance Division will verify whether the Agency's corrective action plan has been implemented during the monitoring resolution phase. In addition, we will verify whether there is adequate segregation of duties as part of our internal controls assessment during our annual FY 2009-10 monitoring review.

Details of our review, along with recommendations for corrective action, are attached.

Review of Report

We discussed our report with CIS and in their attached response, CIS concurred with our findings and recommendations and agreed to repay CSS for the questioned costs. We also notified CSS of the results of our review.

We thank CIS for their cooperation and assistance during this review. If you have any questions, please call me, or your staff may contact Don Chadwick at (213) 253-0301.

WLW:MMO:JET:DC:EB
Attachment

c: William T Fujioka, Chief Executive Officer
Cynthia D. Banks, Director, Community and Senior Services
Shirley Allen, Executive Director, Communities In Schools of South Bay, Inc.
Lestean Johnson, Chairperson, Communities In Schools of South Bay, Inc.
Public Information Office
Audit Committee

**WORKFORCE INVESTMENT ACT PROGRAM
COMMUNITIES IN SCHOOLS OF SOUTH BAY, INC.
FISCAL YEAR 2008-09**

ELIGIBILITY

Objective

Determine whether Communities In Schools of South Bay, Inc. (CIS or Agency) provided services to individuals that meet the eligibility requirements of the Workforce Investment Act (WIA) Program.

Verification

We reviewed the case files for ten (18%) of the 56 participants that received services from July 2008 through March 2009 for documentation to confirm their eligibility for WIA services.

Results

CIS maintained appropriate documentation to support the eligibility of the ten participants sampled.

Recommendation

None.

BILLED SERVICES/CLIENT VERIFICATION

Objective

Determine whether the Agency provided the services in accordance with the County contract and WIA guidelines. In addition, determine whether the participants received the billed services.

Verification

We reviewed the documentation contained in the case files for ten (18%) participants that received services during July 2008 through March 2009.

Results

CIS did not update the participant's program activities, such as completion of leadership and/or summer employment, on the Job Training Automation (JTA) System within 12 days following the reporting period as required by WIA Directive LACOD-WIAD08-20 for nine (90%) of the ten participants sampled. The JTA system is used by the State of

California Employment Development Department and the Department of Labor to track WIA participant activities. A similar finding was also noted during the prior three years' monitoring reviews.

In addition, CIS did not maintain a signed Certification and Release Authorization form in the participant's case file as required by WIA Directive LACOD-WIAD08-16 for one (10%) of the ten participants sampled.

Subsequent to our review, CIS updated the JTA system to accurately reflect the participants' program activities for the nine participants and provided the signed Certification and Release Authorization form for the one participant.

Recommendations

CIS management:

- 1. Ensure that staff update the JTA system within 12 days following the reporting period to accurately reflect the participants' program activities.**
- 2. Ensure that staff maintain signed Certification and Release Authorization forms in the participants' case files.**

PERFORMANCE OUTCOMES REVIEW

Objective

Determine whether the Agency met the planned performance outcomes as outlined in the County contract. The performance outcomes included measuring the number of participants that enrolled in the program, exited the program, completed training and/or gained employment.

Verification

We compared the Agency's Fiscal Year (FY) 2008-09 actual performance outcomes for the third quarter to the planned performance outcomes outlined in the County contract.

Results

CIS did not meet two (50%) of the four FY 2008-09 third quarter planned performance outcomes outlined in the County contract. Specifically, CIS planned to exit 30 and place 15 WIA Youth participants into employment by the end of the third quarter. However, the Agency exited nine (30%) and placed six (40%) WIA Youth participants into employment as of March 31, 2009. Similar findings were also noted during the prior year's monitoring review.

Recommendation

3. CIS management ensure that planned performance outcomes are met as required by the County contract.

CASH/REVENUE**Objective**

Determine whether cash receipts and revenue are properly recorded in the Agency's records and deposited timely in their bank account. In addition, determine whether there are adequate controls over cash, petty cash and other liquid assets.

Verification

We interviewed Agency personnel and reviewed financial records. We also reviewed CIS's bank activity for December 2008, January 2009 and February 2009.

Results

Generally, CIS maintained adequate controls to ensure that revenue was properly recorded and deposited in a timely manner. However, CIS's Associate Director had access to the Agency's blank checks, signed checks and approved disbursements. According to Part B, Section 2.2 of the Auditor-Controller Contact Accounting and Administration Handbook, authorized check signers must be independent of disbursement activities. A similar finding was also noted during the prior two years' monitoring reviews.

Recommendation

4. CIS management ensure that there is adequate segregation of duties.

COST ALLOCATION PLAN**Objective**

Determine whether CIS's Cost Allocation Plan was prepared in compliance with the County contract and the Agency used the Plan to appropriately allocate shared program expenditures.

Verification

We reviewed the Cost Allocation Plan and a sample of expenditures incurred by the Agency in July and August 2008 to ensure that the expenditures were properly allocated to the Agency's programs.

Results

Generally, CIS's Cost Allocation Plan was prepared in compliance with the County contract. However, CIS did not always appropriately allocate expenditures in accordance with their Cost Allocation Plan. Specifically, CIS billed Community and Senior Services (CSS) for 69% of their insurance expenditures and 75% of their rent expenditures. Based on the Agency's Cost Allocation Plan, CIS should have billed CSS for 60% of their total insurance expenditures and 55% of their total rent expenditures. CIS management should ensure that expenditures are appropriately allocated as required by the Agency's Cost Allocation Plan and Part C, Section 2.0 of the Auditor-Controller Contract Accounting and Administration Handbook.

Recommendation

5. CIS management ensure that expenditures are appropriately allocated.

EXPENDITURES/PROCUREMENT**Objective**

Determine whether program related expenditures are allowable under the County contract, properly documented and accurately billed.

Verification

We interviewed Agency personnel, reviewed financial records and reviewed documentation to support 17 non-payroll expenditure transactions billed by CIS for July and August 2008, totaling \$5,834.

Results

Generally, CIS's expenditures were allowable and adequately supported by documentation. However, as previously indicated, CIS did not always appropriately allocate expenditures in accordance with their Cost Allocation Plan.

Recommendation

Refer to Recommendation 5.

ADMINISTRATIVE CONTROLS/CONTRACT COMPLIANCE**Objective**

Determine whether the Agency maintained sufficient internal controls over its business operations. In addition, determine whether the Agency is in compliance with other program and administrative requirements.

Verification

We interviewed Agency personnel, reviewed their policies and procedures manuals, conducted an on-site visit and tested transactions in various non-cash areas such as expenditures, payroll and personnel.

Results

Generally, CIS maintained sufficient internal controls over its business operations. However, CIS did not establish a policy on Child/Elder Abuse Prevention Reporting as required by Part II, Section 9.1 of the County contract.

Recommendation

6. CIS management establish and distribute to staff a policy on Child/Elder Abuse Prevention Reporting as required and ensure compliance.

FIXED ASSETS AND EQUIPMENT

Determine whether CIS's fixed assets and equipment purchases made with WIA funds are used for the WIA Program and are safeguarded.

We did not perform test work in this section as CIS did not use WIA funds to purchase fixed assets or equipment.

Recommendation

None.

PAYROLL AND PERSONNEL**Objective**

Determine whether payroll expenditures were appropriately charged to the WIA Program. In addition, determine whether the Agency obtained criminal record clearances, verified employability, and maintained current driver's licenses and proof of automobile insurances for the employees assigned to the WIA Program.

Verification

We traced the payroll expenditures invoiced for four employees and 45 participants totaling \$39,638 for August 2008 to the Agency's payroll records and time reports. We also interviewed one staff and reviewed the personnel files for seven employees assigned to the WIA Program.

Results

Generally, CIS appropriately charged payroll expenditures to the WIA Program. However, CIS billed CSS \$1,008 in questioned payroll costs. Specifically:

- CIS voided three participants' payroll checks totaling \$568 but did not reimburse CSS for the check amounts. A similar finding was also noted during the prior four years' monitoring reviews.
- The timecards for 23 (51%) of the 45 participants did not adequately support the participants' wages, totaling \$440. According to CIS management, the timecards did not support the wages because they paid the participants an additional 30 minutes a day for lunch. According to Title 29, Part 785 of the Code of Federal Regulations, bona fide meal periods are not considered work time.

Recommendations

CIS management:

7. **Repay CSS \$1,008 (\$568 + \$440).**
8. **Ensure that accounting records are updated to support program expenditures.**
9. **Ensure that payroll expenditures are billed based on actual hours worked.**

CLOSE-OUT REVIEW**Objective**

Determine whether the Agency's FY 2007-08 final close-out invoice for the WIA Youth Program reconciled to the Agency's financial accounting records.

Verification

We traced CIS's FY 2007-08 general ledger to the Agency's final close-out invoice for FY 2007-08. We also reviewed a sample of expenditures incurred in April, May and June 2008.

Results

CIS's FY 2007-08 general ledger reconciled to the Agency's FY 2007-08 final close-out invoice.

Recommendation

None.



COMMUNITIES IN SCHOOLS OF SOUTH BAY, INC.
17625 S. Central Ave., Suite E
Carson, CA 90746
Tel (310) 639-5095 • Fax (310) 638-2965

June 30, 2009

Wendy L. Watanabe, Auditor- Controller
Department of Auditor-Controller
Countywide Contract Monitoring Division
350 S. Figueroa Street, 8th Floor
Los Angeles, CA 90071

Subject: **2008-2009 Corrective Action Plan Determination Letter**

Dear: Wendy Watanabe

Below you will find a response and corrective action plan relating to the fiscal and administrative contract compliance review of Communities In Schools (CIS) that was conducted by the Auditor- Controller's office.

Billed Services/Client Verification - Recommendation # 1

Ensure that staff updates the JTA system within 12 days following the reporting period to accurately reflect the participants' program activities.

Corrective Action Plan:

CIS has established set guidelines with its staff to ensure that all data is entered into the JTA system by the established deadline date. In fact, we have established weekly deadlines for JTA activities to ensure that we are in compliance with this regulation.

Billed Services/Client Verification - Recommendation # 2

Ensure that staff maintains signed Certification and Release Authorization forms in the participants' case files.

Corrective Action Plan:

This was an over site. CIS will add this onto its file checklist form, in order to ensure that this is checked for compliance on a regular bases and that it does not get overlooked.

Performance Outcomes Review Recommendation # 3:

CIS management ensures that planned performance outcomes are met as required by the County contract.

Corrective Action Plan:

CIS will monitor our planned performance vs. actual performance on a quarterly basis to determine if the goals are attainable. In the event that they become un-attainable, CIS will request to modify the planned performance goals.

Cash/Revenue - Recommendation # 4:

CIS management ensures that there is adequate segregation of duties.

Corrective Action Plan:

CIS has revised its policies and procedures as follows: Yvette Castorena, Office Manager will approve expenditures/ disbursements. Both Victoria M. Adams and Artricia Woods will continue to sign checks. This will ensure adequate separation of duties.

Cost Allocation Plan - Recommendation # 5:

CIS management ensures that expenditures are appropriately allocated.

Corrective Action Plan:

CIS will have the Associate Director review the cost allocation plan on a quarterly basis to ensure that it is still adequate. In the event that it needs to be updated, a new request will be submitted to DCSS for approval. This will ensure that expenditures are appropriately allocated as required.

Administrative Controls/Contract Compliance - Recommendation # 6:

CIS management establishes and distributes to staff a policy on Child/Elder Abuse Prevention Reporting as required and ensure compliance.

Corrective Action Plan:

CIS has established and distributed a policy on Child/Elder Abuse Prevention Reporting to staff members. This information is present in each employee's file and will be available upon subsequent review by DCSS.

Payroll and Personnel - Recommendation #7, 8, & 9:

Repay CSS \$ 1,008.

Corrective Action Plan:

As it relates to the amount of \$568 in participants wages cited by Auditor-Controller regarding voided checks that participants did not cash. It is CIS's policy to void all un-cashed checks after 6-months. These checks were voided and the funds were returned to DCSS by having this amount deducted from June 2009 invoice. Please note that on our June 2009 invoice submitted to DCSS – the amount of \$568 was deducted from funds that were to be received by CIS.

As it relates to the \$440 cited by Auditor controller regarding participants being paid for their 30-min lunch break – CIS agrees with this finding. We have notified all staff and worksite supervisors, in writing, that this is un-allowed.

If you have any other questions and/or concerns, please feel free to contact me at (310) 639-5095.

Sincerely,

A handwritten signature in black ink, appearing to read 'Articia Woods', with a stylized, cursive script.

Articia Woods

Director of Educational Services

cc. Maggie Mireles, DCSS
Yoon Bae, CPA Auditor Controller
Jackie Sakane, Compliance DCSS
Shirley Allen, Executive Director CIS
Victoria M. Adams, Associate Director CIS